

## Message Text

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64

ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 DODE-00

PA-01 USIA-06 PRS-01 SS-15 NSC-05 L-02 H-01 /094 W

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R 251828Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8627

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, U.K.

SUBJECT: LONDON TIMES ARTICLE ON WHITEHALL CONCERN OVER  
FINANCIAL EFFECTS IF REFERENDUM GOES AGAINST EC  
MEMBERSHIP

SUMMARY: U.K. TREASURY DENIES THAT IT IS CONCERNED OVER  
POSSIBLE FINANCIAL EFFECTS SHOULD REFERENDUM GO AGAINST  
EC MEMBERSHIP, DOES NOT EXPECT THAT ECONOMIC EFFECTS WILL  
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BE DRASTIC WHICHEVER WAY REFERENDUM DECISION GOES. END

SUMMARY.

1. PAGE ONE ARTICLE IN LONDON TIMES, MONDAY, FEBRUARY 24, BY PETER HENNESSY CLAIMS IN PART QUOTE H.M. TREASURY IS UNDERSTOOD TO HAVE WRITTEN PAPER ASSESSING EFFECT OF WITHDRAWAL FROM EC ON POUND, STERLING BALANCES AND LEVEL OF OVERSEAS INVESTMENT IN U.K. THERE IS THOUGHT TO BE CONCERN ABOUT A POSSIBLE RUN ON THE POUND, EVEN DURING THE REFERENDUM CAMPAIGN, AND FEARS OF A SUBSTANTIAL WITHDRAWAL OF FOREIGN CAPITAL FROM LONDON SHOULD THE RESULT PRESAGE A BRITISH WITHDRAWAL. ONE SENIOR CIVIL SERVANT SAID: THE REFERENDUM CAMPAIGN WILL NOT BE GOOD FOR THE POUND. BUT IF THE REFERENDUM SAYS NO, THE CURRENCY WILL GO BANG. UNQUOTE.

2. FINANCIAL ATTACHE QUERIED U.K. TREASURY OFFICIAL WHO DEALS WITH COMMON MARKET AFFAIRS, WHO REPORTED THAT WORK HAS BEEN DONE ON THE IMPLICATIONS OF EC WITHDRAWAL, INCLUDING CONSIDERATION OF ALTERNATIVES. IT IS NOT FINALIZED AND HAS NOT YET GONE TO MINISTERS FOR THEIR CONSIDERATION. DETAILS IN THE PRESS REPORT ARE HIGHLY SPECULATIVE AND IN A NUMBER OF RESPECTS ARE INACCURATE. THERE IS NO FOUNDATION FOR THE SUGGESTION THAT H.M. TREASURY EXPECTS A RUN ON THE POUND DURING THE REFERENDUM CAMPAIGN OR SUBSEQUENTLY. ANY EFFECTS ON THE EXCHANGE MARKET AT WHICH EVER STAGE OF THE RENEGOTIATION PROCESS OR REFERENDUM WILL DEPEND ON THE BROADER SITUATION AT THE TIME. H.M. TREASURY CERTAINLY DOES NOT EXPECT THAT THE ECONOMIC EFFECTS WILL BE DRASTIC WHICHEVER WAY THE REFERENDUM DECISION GOES.

3. H.M. TREASURY SOURCE IN REPLY TO OUR QUESTIONS SAID H.M. TREASURY DOES NOT KNOW THE SOURCE OF THE ARTICLE. IT SOUNDS LIKE COMBINATION OF (A) AN OVERENTHUSIASTIC BRIEFING, BUT NOT FROM H.M. TREASURY, AND (B) SOME INTELLIGENT, ALBEIT NOT COMPLETELY ACCURATE, GUESSWORK. INASMUCH AS THE REPORT IN QUESTION IS NOT FINALIZED AND HAS NOT YET GONE TO MINISTERS, SOURCE SAID IT WOULD BE HIGHLY INAPPROPRIATE TO MAKE A COPY AVAILABLE TO OUTSIDERS. THE REPORT IN PREPARATION AMONG SEVERAL WHITEHALL MINIS- LIMITED OFFICIAL USE

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TRIES CONTAINS ONLY A LIMITED INPUT FROM THE TREASURY AND ALSO GETS HEAVILY INTO POLITICAL ELEMENTS, WITH ALTERNATIVES CONSIDERED. IT WILL EVENTUALLY BE SENT TO THE CABINET OFFICE FOR A WIDER DISTRIBUTION, PRESUMABLY TO THE CABINET, QWERE MINU EERSLDXWN#SUBJECTIVE STRONG PRO OR ANTI EC VIEWS MAY HAVE STRONGER IMPACT THAN CIVIL SERVANTS JUDGMENTS IN REPORT.

SPIERS

NOTE BY OCT: LINDON 2893 #AS RECEIVED.

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**Disposition Date:** 28 MAY 2004  
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